

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Every Door Direct Mail Discount)

Docket No. R2020-2

COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE

(June 22, 2020)

Pursuant to Order No. 5526 (“Order”), the Association for Postal Commerce (“PostCom”) submits these comments on the Postal Service’s Notice and Order of Price Adjustment for Market Dominant Products. The price adjustment noticed by the Postal Service complies with applicable statutory requirements, and the Commission should approve it as proposed. Nonetheless, given the circumstances cited in the Postal Service’s notice, several features of the Postal Service’s notice deserve additional attention.

I. THE POSTAL SERVICE’S REASONING IN THIS NOTICE IS HARD TO FATHOM

After providing its overview of the price case, the Postal Service introduces its rationale for the EDDM discount: “(t)he extraordinary and unprecedented nature of the COVID-19 pandemic and the current economic downturn has severely harmed many businesses. Small local businesses have been hit particularly hard as they adopt austerity measures and pull back on their marketing efforts in response to business closures or drastic reductions in demand.” Notice at 3. Setting aside whether the Postal Service should be using its pricing authority to enact fiscal policy, the Postal Service offers no evidence or supporting data to support the assertion that small businesses have been particularly harmed. Few would dispute that the COVID-19 pandemic has had far reaching effects. But undefined terms like “small” and “local” appear intended to distract from the fact that the Postal Service has reached the unsupported conclusion

that this group has been “hit particularly hard.” The only evidence provided in this paragraph is either irrelevant (the Q2 volume decline cited happened largely before there were any measurable business impacts from COVID-19) or lacking the context information needed to reach any meaningful conclusion. For example, anecdotal evidence suggests that other types of marketing mail have suffered declines far greater in magnitude than those cited by USPS. *See* Notice at 3.

Even if one accepts the underlying rationale for the EDDM discount, it will have no meaningful impact. The Postal Service estimates that it will pay out approximately \$2 million in discounts in RM2020-5. Because the Postal Service has not defined the candidate pool for these discounts in a way that allows analysis, estimating the exact impact is problematic. On the other hand, the Small Business Administration estimates¹ that there are just over 30 million small businesses operating in the United States. The Postal Service, then, estimates that it will pay out an average of just under seven cents per small business. If only one percent of US businesses avail themselves of this offer, the discounts earned per business – as estimated by the Postal Service - will be \$6.67 (not in thousands).

II. THE POSTAL SERVICE PROPOSAL IMPLIES AN ABILITY TO BALANCE THE RISKS OF ANYHOW VOLUME

The Postal Service is not placing any restrictions on the use of the EDDM discount based on customers’ prior usage. Thus, the Postal Service will inevitably be providing discounts for pieces that would have been mailed anyhow. The Postal Service cannot know with certainty what any particular mailer would do in the absence of a discount, so they are making an informed judgment that the benefits from mailings that are induced by the discount (also

¹ Small Business Administration, Office of Advocacy: US Small Business Profile 2018

unknowable) will be sufficient to justify paying discounts to customers that do not “need” them.

The Postal Service does this routinely with its competitive products and it is a welcome development to see this approach being applied to a Market Dominant product. To do so, the Postal Service relies on the difference between how the Commission regulates rates of general applicability compared with rates not of general applicability. As this filing illustrates, the regulatory differences are largely specious in practical terms. In all cases, the Postal Service makes a business judgment that the benefits it will receive from offering the discount outweigh any harm that will result from decreased revenue per piece. So long as the product continues to cover its attributable cost at the discounted rate, the risk of significant harm to the Postal Service or its customers from a miscalibrated discount is small. The fact that some “anyhow” mail may be generated is immaterial.

In this case, the Postal Service expects to pay \$2.1 million in discounts, and gain a small amount (0.012 percent) of additional rate adjustment authority that it will then be able to use within the Marketing Mail class during a future proceeding. Though small in magnitude, the rates paid by some users of Marketing Mail may increase relative to what they would have been in the absence of this discount. The discount may also bring the price of EDDM closer to a level where it could potentially compete with existing offerings of saturation mailers, and the Postal Service should be wary of cannibalizing this volume. But EDDM will still cover its attributable costs, and the Postal Service can monitor the impact of the discount and revise it through a new filing if necessary. Thus, notwithstanding the possible harm to other users of Marketing Mail, the discount complies with statutory requirements and the Commission should not impede the Postal Service from implementing the EDDM discount.

III. THE FACT THAT THIS DISCOUNT IS POORLY CONCEIVED SHOULD NOT PREVENT ITS IMPLEMENTATION

As described above, PostCom believes the Postal Service has made a questionable decision in pursuing this particular discount. In addition to the dubious rationale addressed above, the filing in this case is a questionable use of resources. Presumably there are limits to the number of filings that the Postal Service can execute - or that the Governors may entertain - in a given year. To use a scarce resource to pursue an initiative with at best a diffuse and uncertain impact suggests a failure in either strategy or execution. Nevertheless, the Commission should approve the Postal Service's request. The Postal Service is the operator in this instance, and because its request appears to comply with all statutory requirements, the fact that other, more meaningful discounts could have been developed should not prevent its implementation.

Respectfully submitted,

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